Guidelines For Estimating

Shortkeep Feeder Costs

For Weight Range of 850 - 1400 lbs

Based on winter feeding 500 steers & selling in spring

Date: September, 2005

Cattle feeding is a high risk business requiring large amounts of short term capital to buy feeder cattle and feed. With cyclical price variations for both livestock and feed, successful management involves careful consideration of costs, projection of markets and sound judgement.

The following budget is an estimate of the costs of production encountered in finishing beef cattle in a farm feedlot situation. The purpose of this budget is to assist Manitoba livestock producers to calculate their own cost of production and take into consideration the factors that should be included when budgeting to determine breakeven prices.

The assumptions on which costs are calculated are clearly defined in the supporting pages. When interpreting these costs for an individual situation, adjustments may be required. Note that on farm feed costs are based on market prices at the farm. It is assumed that all feed is grown on the farm, except for supplements. Each assumption must be examined and adjustments made where necessary, to apply to the producer's own situation.

Disclaimer: This budget is only a guide and is not intended as an in depth study of the cost of production of the Manitoba cattle industry. Interpretation and utilization of this information is the responsibility of the user. If you require assistance with developing your individual budget, please contact your local MAFRI Business Development Specialist or Livestock Farm Production Extension Specialist.

Shortkeep Cattle Production Cost Summary September, 2005

	Cost/Head	Total Cost	Your Cost
A. Operating Costs			
1. Feed Costs			
1.01 Ground Barley	$157.00	$78,500	
1.02 Barley Silage	$23.55	$11,775	
1.03 Supplement	$17.89	$8,945	
Total Feed Costs	**$198.44**	**$99,220**	
2. Other Operating Costs			
2.01 Feeder Cost	$988.50	$494,250	
2.02 Straw	$5.00	$2,500	
2.03 Veterinary Medicine & Supplies	$11.58	$5,790	
2.04 Fuel & Repair Costs	$5.55	$2,775	
2.05 Utilities	$3.80	$1,900	
2.06 Marketing Costs	$64.62	$32,310	
2.07 Insurance	$6.45	$3,225	
2.08 Manure Removal	$6.40	$3,200	
2.09 Barn & Office Supplies	$0.40	$200	
2.10 Death Loss	$11.07	$5,535	
Subtotal Operating Costs	$1,301.81	$650,905	
2.11 Operating Interest	$29.41	$14,705	
Total Operating Costs	**$1,331.22**	**$665,610**	
B. Fixed Costs			
3. Depreciation			
3.01 Buildings	$2.78	$1,390	
3.02 Machinery & Equipment	$6.00	$3,000	
4. Investment			
4.01 Buildings	$1.19	$594	
4.02 Machinery & Equipment	$1.58	$788	
Total Fixed Costs	**$11.54**	**$5,772**	
Total Operating and Fixed Costs	**$1,342.76**	**$671,382**	
C. Labour	$12.50	$6,250	
Total Cost of Production	**$1,355.26**	**$677,632**	

Cost per lb of gain sold	**$/cwt**	
Feed Costs	$41.34	
Operating Costs	$75.46	
Operating & fixed	$77.87	
Total costs	$80.47	
Breakeven Selling Price		
Operating Costs	$100.09	
Operating & fixed	$100.96	
Total costs	$101.90	
Breakeven Purchase Price (base on $93/cwt market price)		
Operating Costs	$102.90	
Operating & fixed	$101.55	
Total costs	$100.07	

Disclaimer: This budget is only a guide and is not intended as an in-depth study of the cost of production of this industry. Interpretation and utilization of this information is the responsibility of the user. No liability for decisions based on this publication is assumed.

Assumptions

1. Average daily gain (ADG) was assumed to be 3.5 lbs/day
2. It was assumed that the feeder steer weighed in at 850 lbs. shrunk weight, finish weight was estimated at 1400 lbs (1330 after 5 % shrink).
3. Days on feed:157days.
4. Investment in feedlot facilities and equipment was assumed to handle 500 head at a time or with 2 turns 1000 head over the year.

Shortkeep Cattle Production Cost Worksheet

A. Operating Costs				Your Cost
1. Feed Costs				
1.01 Ground Barley				
		157.00	days on grain	
	x	24.00	lbs/feeder/day	
	÷	48.00	lbs/bushel	
	x	$2.00	/bushel	
	=	**$157.00**	**/feeder**	
1.02 Silage				
		157.00	days on silage	
	x	12.00	lbs/feeder/day	
	÷	2,000.00	lbs/ton	
	x	$25.00	/ton	
	=	**$23.55**	**/feeder**	
1.03 Supplement (Salt, Vitamins, Minerals, Ionophore)				
		157.00	days on supplement	
	x	0.75	lbs/feeder/day	
	÷	2,205.00	lbs/tonne	
	x	$335.00	/tonnne	
	=	**$17.89**	**/feeder**	
2. Other Operating Costs				
2.01 Feeder Cattle Cost				
Buying Commission		$6.75	/feeder	
Trucking-in		$1.50	/cwt	
	x	850.00	lbs/feeder	
	÷	100.00	lbs/cwt	
	=	$12.75	/feeder	

Feeder		850.00	lbs/feeder	
	x	$114.00	/cwt	
	÷	100.00	lbs/cwt	
	=	$969.00	/feeder	
Total	=	**$988.50**	**/feeder**	

2.02 Straw

		0.25	tons/feeder	
	x	$20.00	/ton	
	=	**$5.00**	**/feeder**	

2.03 Veterinary Medicine & Supplies

Cattle Medication

	+	$0.65	Vitamins	
	+	$2.72	Parasite control	
	+	$0.48	Blackleg	
	+	$1.71	Growth Implants	
	+	$5.00	Antibiotics	
	=	$10.56	/feeder	

Professional Services

		135.00	/hour charge	
	x	2.00	hours	
	÷	500	feeder cattle	
	=	$0.54	/feeder	

Transportation

		$1.00	/km charge	
	x	80.00	kilometers	
	x	3.00	visits	
	÷	500	feeder cattle	
	=	0.48	/feeder	
Total	=	**$11.58**	**/feeder**	

2.04 Fuel & Repair Costs

		$875	repairs	
	+	$1,900	fuel costs	
	÷	500	feeder cattle	
	=	**$5.55**	**/feeder**	

2.05 Utilities

$1,900	utilities	
÷ 500	feeder cattle	
= **$3.80**	**/feeder**	

2.06 Marketing & Transportation

Trucking	700.00	miles
x	$3.60	/loaded mile
÷	39.00	head/load
=	$64.62	/feeder
Other Costs +	$0.00	/feeder
Total =	**$64.62**	**/feeder**

2.07 Insurance

$136,707	bldg & equip investment	
x	$0.50	/$100 capital
÷	100.00	/$100
÷	500	feeder cattle
÷	2	turns/year
=	$0.68	/feeder
$567,750	herd investment	
x	$0.50	/$100 capital
÷	100.00	/$100
÷	500	feeder cattle
=	$5.68	/feeder
$45.00	additional coverage for liability	
÷	500	feeder cattle
÷	2	turns/year
=	$0.09	/feeder
Total =	**$6.45**	**/feeder**

2.08 Manure Removal

$3,200	removal cost	
÷	500	feeder cattle
=	**$6.40**	**/feeder**

2.09 Barn & Office Supplies

$200.00	total barn expenses	
÷	500	feeder cattle
=	**$0.40**	**/feeder**

2.10 Death Loss

	$988.50	feeder cattle cost	_____
+	$1,290.74	maximum value	_____
-	$64.62	marketing costs	_____
÷	2.00	average	_____
x	1.00	% mortality rate	_____
=	**$11.07**	**/feeder**	_____

2.11 Operating Interest

(Operating interest is charged on one half the subtotal operating costs)

	$988.50	feeder cost	_____
+	$151.12	½ of feed & other costs	_____
x	6.00	% operating interest	_____
x	157.00	days on feed	_____
÷	365.00	days/year	_____
=	**$29.41**	**/feeder**	_____

Capital Costs

Buildings, Corrals & Water System		
Windbreak fence	$4,900	
Pens	$3,027	
Grain Bin	$3,000	
Handling Facilities	$4,000	
Waterers	$4,000	
Gates	$1,280	
Bunk Feeders	$23,000	
Well & Pressure System	$3,500	
Landscaping	$15,000	
Total	**$61,707**	
Machinery & Equipment		
Tractor & Loader	$50,000	
Miscellaneous	$25,000	
Total	**$75,000**	
Total Investment	**$136,707**	

B. Fixed Costs

3. Depreciation $\frac{\text{Original Cost - Salvage Value}}{\text{Useful Life}}$

3.01 Buildings

	$61,707	original cost	
-	$6,171	salvage value	
÷	20.00	years useful life	
÷	500	feeder cattle	
÷	2	turns/year	
=	**$2.78**	**/feeder**	

3.02 Machinery & Equipment

	$75,000	original cost	
-	$15,000	salvage value	
÷	10.00	years useful life	
÷	500	feeder cattle	
÷	2	turns/year	
=	**$6.00**	**/feeder**	

4. Investment $\frac{\text{Original Cost + Salvage Value}}{2}$ x Investment Rate

4.01 Buildings

	$61,707	original cost	
+	$6,171	salvage value	
÷	2.00	average	
x	3.50	% investment rate	
÷	500	feeder cattle	
÷	2	turns/year	
=	**$1.19**	**/feeder**	

4.02 Machinery & Equipment

	$75,000	original cost	
+	$15,000	salvage value	
÷	2.00	average	
x	3.50	% investment rate	
÷	500	feeder cattle	
÷	2	turns/year	
=	**$1.58**	**/feeder**	

C. Labour

	1.25	hours/feeder	
x	$10.00	/hour	
=	**$12.50**	**/feeder**	

Breakeven Calculations

				Your Cost
Cost per lb of gain sold				
Feed Costs		$198.44	feed cost	
	÷	480.00	weight gain	
	=	**$0.41**	**/lb gain sold**	
Operating Costs		$1,331.22	operating costs	
	-	$969.00	feeder cost	
	÷	480.00	weight gain	
	=	**$0.75**	**/lb gain sold**	
Total Operating		$1,342.76	operating & fixed costs	
& Fixed Costs	-	$969.00	feeder cost	
	÷	480.00	weight gain	
	=	**$0.78**	**/lb gain sold**	
Total Costs		$1,355.26	total costs	
	-	$969.00	feeder cost	
	÷	480.00	weight gain	
	=	**$0.80**	**/lb gain sold**	
Breakeven selling price				
Operating Costs		$1,331.22	operating costs	
	÷	1,330.00	lbs shrunk weight	
	=	**$1.00**	**/lb**	
Total Operating		$1,342.76	operating & fixed costs	
& Fixed Costs	÷	1,330.00	lbs shrunk weight	
	=	**$1.01**	**/lb**	
Total Costs		$1,355.26	total costs	
	÷	1,330.00	lbs shrunk weight	
	=	**$1.02**	**/lb**	
Breakeven purchase price				
Operating Costs		1,330.00	lbs shrunk weight	
	x	$93.00	$/cwt selling price	
	=	$1,236.90	income	
	-	$362.22	operating less feeder cost	
	÷	850.00	lbs purchase weight	
	=	**$1.03**	**/lb**	

Operating & fixed cocsts		1,330.00	lbs shrunk weight	_____
	x	$93.00	$/cwt selling price	_____
	=	$1,236.90	income	_____
	-	$373.76	op & fixed less feeder cost	_____
	÷	850.00	lbs purchase weight	_____
	=	**$1.02**	**/lb**	_____
Total costs		1,330.00	lbs shrunk weight	_____
	x	$93.00	$/cwt selling price	_____
	=	$1,236.90	income	_____
	-	$386.26	total less feeder cost	_____
	÷	850.00	lbs purchase weight	_____
	=	**$1.00**	**/lb**	_____

For more information contact your local MAFRI Office.

Prepared by:

Peter Blawat
Policy Analyst

Ian McCartney
Business Development Specialist

Michael Buchen
Business Development Specialist
Finished Beef

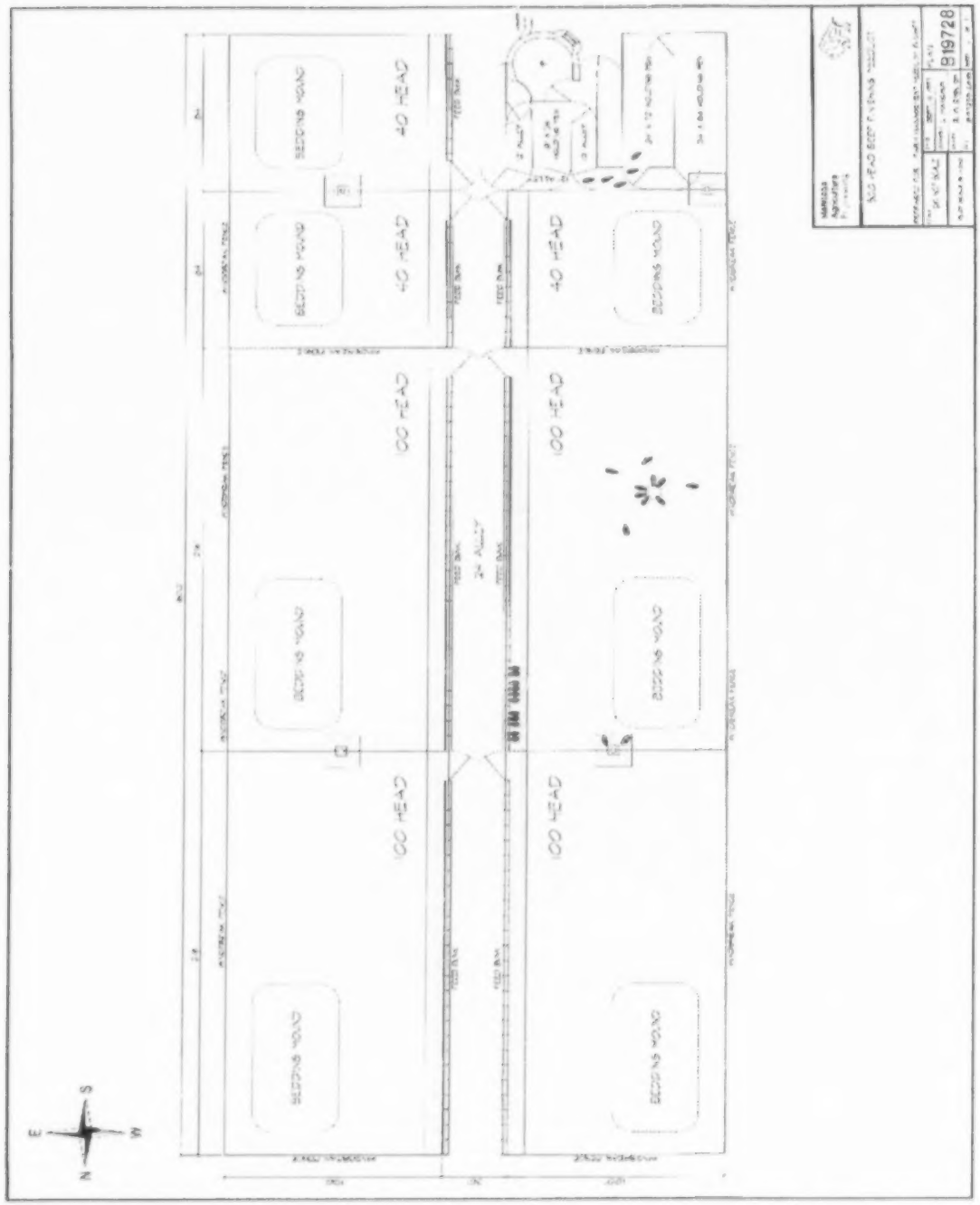
John Popp
Farm Production Extension Specialist
Beef

Lawrence Manchur
Engineer - Structures

Bob Gwyer
Business Development Specialist

Keith Kyle
Business Development Specialist

Short Keep Feedlot Facilities



Prepared by Manitoba Agriculture, Food and Rural Initiatives.

GROWING **Opportunities**